

EMPLOYEE & RETIREE FRINGE BENEFITS (1950) BUDGET

DEPT: Fringe Benefits

UNIT NO. 1950
FUND: General - 0001

Budget Summary

Category	2013 Budget	2013 Actual	2014 Budget	2015 Budget	2015/2014 Variance
Expenditures					
Personnel Costs	\$185,917,962	\$181,501,272	\$184,615,636	\$185,440,453	\$824,817
Operation Costs	\$4,046,094	\$3,472,473	\$3,842,943	\$3,188,614	(\$654,329)
Debt & Depreciation	\$0	\$0	\$0	\$0	\$0
Capital Outlay	\$0	\$0	\$0	\$0	\$0
Interdept. Charges*	\$637,117	\$637,117	\$570,991	\$606,115	\$35,124
Total Expenditures*	\$190,601,173	\$185,610,862	\$189,029,570	\$189,235,182	\$205,612
Revenues					
Direct Revenue	\$16,976,607	\$17,635,675	\$18,245,835	\$21,686,120	\$3,339,978
Intergov Revenue	\$0	\$0	\$0	\$0	\$0
Indirect Revenue*	\$173,624,566	\$167,975,187	\$170,683,428	\$167,549,062	(\$3,134,366)
Total Revenues*	\$190,601,173	\$185,568,868	\$189,029,570	\$189,235,182	\$205,612
Tax Levy	\$0	\$41,995	\$0	\$0	\$0
Personnel					
Full-Time Pos. (FTE)	0	0	0	0	0
Seas/Hourly/Pool Pos.	0	0	0	0	0
Overtime \$	\$0	\$0	\$0	\$0	\$0

* = Charges to departments for net fringe benefit costs are converted from expenditure abatements to indirect revenues in 2015. 2013 and 2014 data has been restated for comparative purposes.

Department Mission: This non-departmental unit includes expenditures for employee and retiree (legacy) fringe benefit costs, and revenues from premium contributions for those benefits.

Department Description: Appropriations for employee and legacy fringe benefits in this non-departmental unit include: health and dental insurance, contributions to various pension plans, life insurance, Medicare premium contributions, employee bus passes, fees required by the Affordable Care Act, and health insurance actuarial services.

The cost of these benefits, net of employee and retiree premium contributions (which are shown as direct revenues in the table above), are allocated out to departments based on their share of countywide staffing levels. This enables the County to be reimbursed for its total personnel costs to provide services.

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Employee & Retiree Fringe Benefits Summary

2014-2015 Fringe Benefit Budget Comparisons

ITEM	2014 BUDGET	2015 BUDGET	2014-2015 Change
Gross Health & Dental Costs	\$120,115,867	\$111,535,904	(\$8,579,963)
	+	+	
Gross Pension Costs	\$65,198,296	\$73,595,776	\$8,397,480
	+	+	
Gross Costs - Other Benefits	\$3,715,407	\$4,103,502	\$388,095
	=	=	
TOTAL Gross Benefit Costs	\$189,029,570	\$189,235,182	\$205,612
	-	-	
Less Employee & Retiree Health Premiums	(\$7,653,777)	(\$10,999,062)	\$3,345,285
	-	-	
Less Employee & State Pension Contrib.	(\$9,524,592)	(\$9,519,285)	\$5,307
	-	-	
Less Other Benefit Revenues	(\$1,167,773)	(\$1,167,773)	\$0
	=	=	
TOTAL Net Benefit Costs - Allocated to Departments	\$170,683,428	\$167,549,062	(\$3,134,366)
	-	-	
Estimated Revenue Offset at 17%	(\$29,016,182.8)	(\$28,483,340.5)	\$532,842
	=	=	
Approximate Tax Levy Cost, Employee & Retiree Fringe Benefits:	\$141,667,245	\$139,065,721	(\$2,601,524)

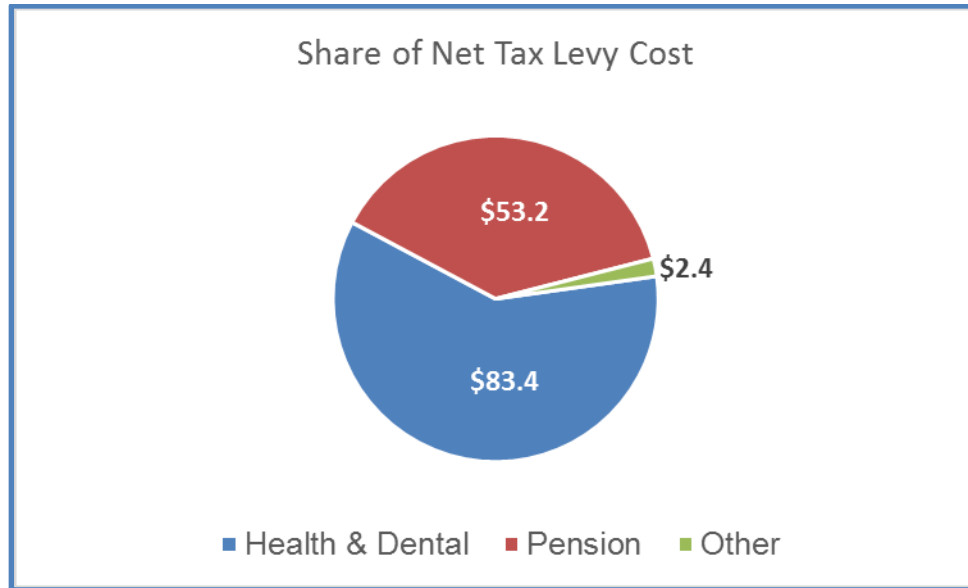
The table above shows that the 2015 budget includes \$189.2 million in gross fringe benefit costs. Revenues directly related to fringe benefits, such as employee and retiree health insurance premiums, employee pension contributions required by State Statute, and other revenues offset approximately \$21.7 million of this total. The remainder, \$167.5 million, is allocated out to departments. This is done for two primary reasons. One is to show the "true cost" of providing each service, as personnel costs including fringe benefits comprise a large share of the County's operating cost. The second reason for this allocation is that many departments receive outside revenue reimbursement for these costs, reducing the County's tax levy requirements. For instance, all personnel costs allocated to the Airport Division of the Department of Transportation are reimbursed by various fees and charges at the County's airports. In the Department of Child Support Services, approximately two-thirds of the cost is reimbursed by federal revenues. Countywide, approximately 17 percent of fringe benefit costs that are allocated out are reimbursed by outside revenue sources. The remainder, approximately \$139.1 million in 2015, represents tax levy.

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Of the total tax levy cost (after reimbursement from outside revenue sources) for employee and retiree fringe benefits, health and dental costs make up the largest share at approximately \$83.4 million or 60 percent of the total. Pension benefits represent approximately \$53.2 million or 38 percent, and other benefits such as life insurance and the employee bus pass program require \$2.4 million in levy or 2 percent of the total.



Personnel costs represent a significant portion of the County's operating expenses. However, due to past actions taken by the County, costs for retiree benefits represent a significant portion of its personnel costs. [The Office of the Comptroller's five-year forecast report](#) estimates that these costs will grow by nearly 22 percent in the next five years; in comparison the County's revenues are projected to grow by only 18.5 percent.

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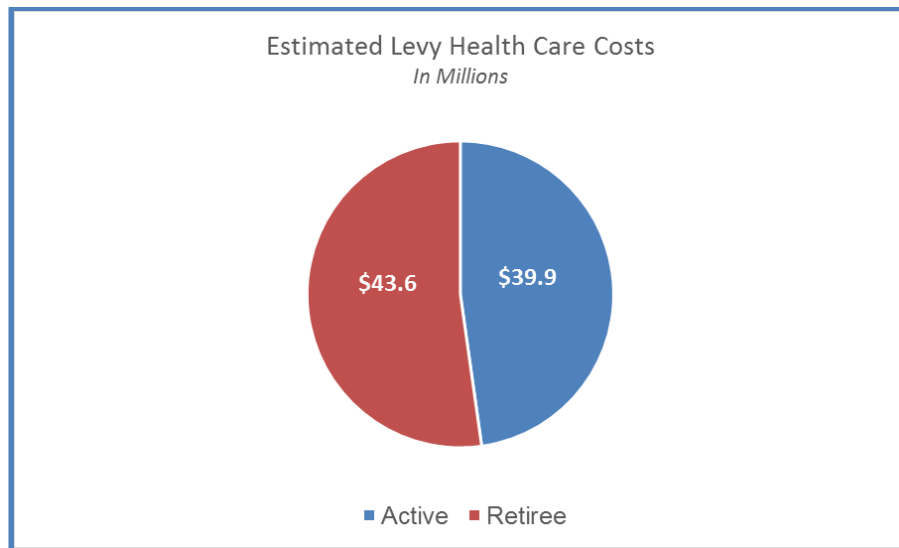
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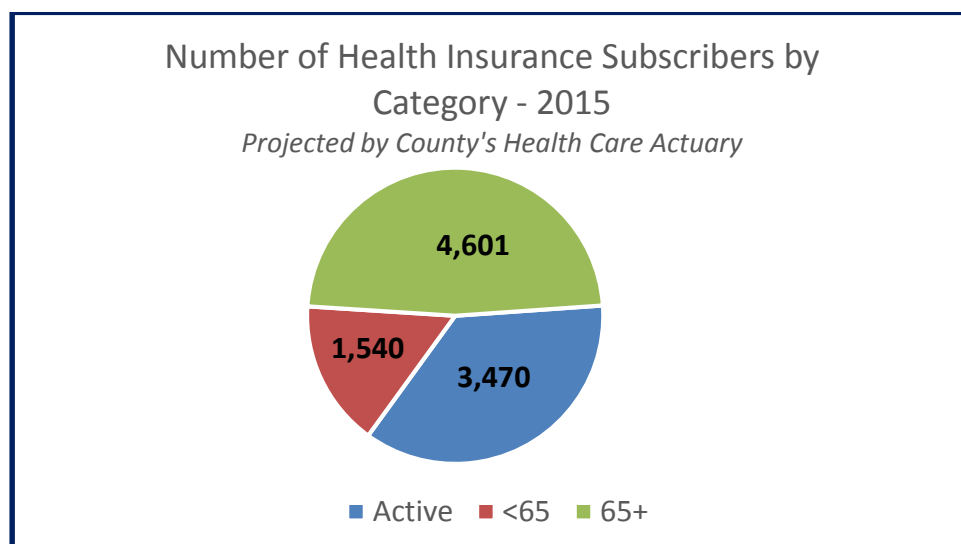
Health & Dental Benefits Overview

The County allocates its benefit costs to active employees and retirees based on estimates provided by various sources, including the health care actuary or the Office of the Comptroller. In some cases benefits are solely categorized to either active employees (dental insurance) or retirees (Medicare Part B premium reimbursements).

For health care expenditures, which include medical claims and Medicare Part B insurance premium reimbursements, it is estimated that retirees account for a majority (52 percent) of tax levy funded benefits, while active employees represent 48 percent.



Retirees represent the largest share of health care costs for two primary reasons: One is that Medicare Part B premium reimbursements to retirees will require approximately \$6 million in tax levy support in 2015 (83 percent of the gross cost of \$7.2 million), and because there are nearly two retirees to each active employee that receives health care benefits but do not pay premiums in 2015. Therefore, the County will continue to utilize the long-standing strategy of setting cost sharing from plan design above benchmarks, and premium costs at or below large employer averages.



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The 2015 Budget authorizes the Department of Human Resources to design and implement health and dental benefit plans, including the following items, within total appropriations of \$99,980,849:

- Health and dental insurance benefits.
- Third-party administrative costs for health insurance, prescription drugs, dental insurance, and wellness.
- Stop loss insurance.
- Fees required by the Affordable Care Act.

This total assumes the following factors:

- Net prescription drug costs are anticipated to decline by 22 percent, from \$29.7 million to \$23.2 million. The decline is mainly due to favorable results from issuing a request for proposals, in collaboration with the City of Milwaukee, Milwaukee Public Schools, and Milwaukee County Transit Services, inc. for a new prescription drug program administrator that includes improved reimbursements, and due to full-year implementation of the EGWP program.
- Savings of \$2.6 million are projected by providing retirees age 65 and over with a voluntary Medicare Advantage plan option for Medical Coverage.

The plans to be designed will also achieve employee and retiree premium revenues of \$10,999,062, an increase of \$3.3 million over the 2014 Adopted Budget. This premium revenue amount charged to employees is below 20% of the active health benefit cost. This amount remains below benchmark comparisons for US Large Employers. For example, the 2014 Kaiser Family Foundation Health Benefits Report establishes the national average contribution for large employers at 19% for single coverage and 26% percent for family coverage. Similarly, other major health care surveys find single premiums for large employers at 22% single, 31% family. Regionally, the data is similar at 22% single and 29% family. Finally, across sectors, the government sector is indicated at 14% and 28% for single and family coverage, respectively.

In addition to the health plan design above, appropriations of \$7,790,000 are provided for:

- Medicare Part B premium reimbursements for retirees (\$7,200,000)
- Actuarial and consulting costs (\$400,000)
- Opt-out payments to employees who decline health insurance benefits (\$150,000)
- Employee flu shots (\$40,000)

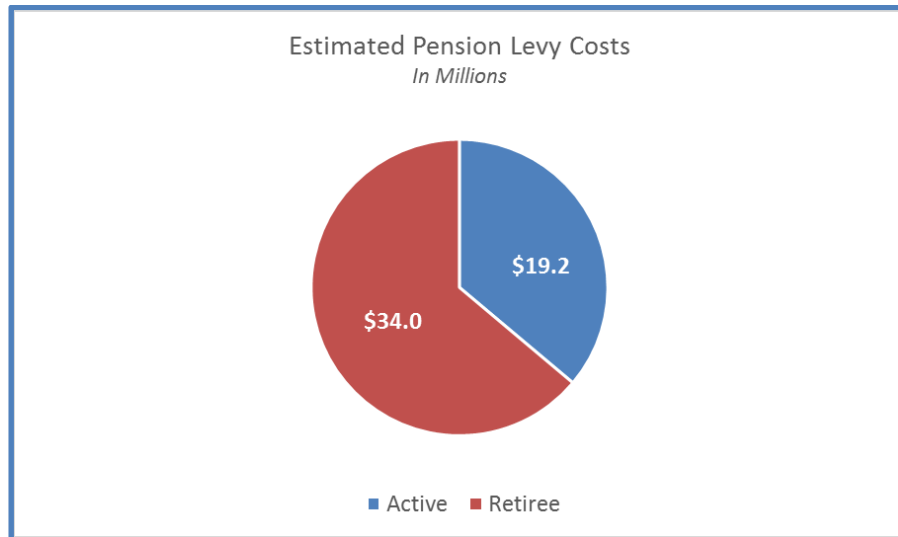
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Pension Benefits Overview

As with health care and dental benefits, the County allocates pension-related costs between active employees and retirees. For 2015, the projected tax levy cost of pension benefits is approximately \$53 million. Of this total, approximately \$34 million or 64 percent is allocated to retiree costs and \$19.2 million or 36 percent is allocated to active employees.



The 2015 budget provides total appropriations for pension benefits of \$73,595,776. This amount represents an increase over the 2014 Adopted Budget of \$8.4 million or 13 percent and includes the following items:

Item	2015 Amount
OBRA Retirement System Contrib.	\$440,000
ERS Contrib. for pre-1971 employees	\$17,700
ERS Normal Cost	\$15,769,000
ERS Unfunded Actuarial Liability	\$22,536,000
Pension Obligation Bonds	\$33,083,076
Doyne Pension	\$1,750,000
TOTAL Pension Costs	\$73,595,776

The Employees Retirement System (ERS) and 1990 Retirement System of the County of Milwaukee ("OBRA") contributions represent amounts recommended by the County's pension actuary. The estimate for Doyne pension contribution as required by the 1989 agreement is based on information provided by Froedtert Health in September 2014. This amount is offset by revenue of \$170,000, which is unchanged from 2014.

Revenues of \$9.5 million are budgeted in 2015. \$9.4 million of this total based on the actuary's estimated employee contribution rate required by Wisconsin State Statutes. For 2015, general employees shall contribute 5 percent of salary to the pension plan (down from 5.1 percent in 2014), while public safety employees shall contribute 5.3 percent (up from 5.2 percent in 2014). Revenue from the State of Wisconsin for Mecca/Miles employees is budgeted at \$95,000 based on the most recent agreement with the State for space rental at the Marsha Cogg's Human Services Center.

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